Summary

- Next Steps

nicor

Credit Package Solution Selection Project

May 22,2001

Credit Selection Team Members

Richard Anderson - Project Manager
Gus Gil - Architect
Linda Hayden - Lead Credit SME
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Cindy Nelson - Hardware/Database
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1. Executive **Summary**

The Credit Selection team was tasked with selecting a Credit package solution that would replace the current legacy Credit system.
Vendor selection began in July 2800 and the final recommendation for SPL WorldGroup will be made on May 22,2001. The Vendor Selection Team engaged in the following phases in the process of selecting a Credit software vendor solution:

- Validate and identified business requirements
- Identified and pre-screened available Credit software solutions with the assistance of Gartner and Meta.
  - AMS
  - Dakcs
  - Lawson
  - Paysys
  - Columbia Ultimate
  - E_Credit.com
  - London Bridge
  - SPL WorldGroup
  - Cyber Resources
  - Headstrong
  - Ontario Systems

- Identified and prescreened the top four vendors in February,2001
  - Headstrong
  - E_Credit.com
  - London Bridge
  - SPL WorldGroup

- Narrowed the selection to the final two in March, 2001
  - SPL World Group
  - London Bridge
    - Final two vendors on-site for knowledge transfer, and further technology and functional evaluation of their products.

Based on the final vendor criteria evaluations, the Vendor Selection Team selected SPL WorldGroup's product version known as CorDaptix, as the best option for NICOR.

SPL WorldGroup offers solution sets to utility companies facing rapid deregulation in an increasingly competitive and changing global market. **SPL** is an international provider of componentized customer care and billing software for the energy services and utility industries, with extensive experience in a wide variety of areas that enable utilities **to** provide superior services to their entire customer base.

The CorDaptix product (formally called CIS Plus, Generation.3)offers a robust Credit and Collections solution along with a full suite of products which compliment the Credit system. The proposed solution encompasses five modules;

- Credit and Collections
- Field Orders
- Payments
- Adjustments
- Core CIS

The system boasts a customer centric hierarchy which allows Nicor to transition fmm a premise based system to a customer based system. The customer centric structure provides a comprehensive data model and may act as the anchor for the enterprise wide customer centric repository. A strong Behavior Model will facilitate proactive financial analysis to predict potential credit risks, allow for multiple credit cycles, assesses customers uniquely, ultimately reduce charge-off activity. Other system features include:

- The system is table and component driven.
- Plug-in components allow Nicor the ability to change the core application without compromising upgrades and dependencies on the vendor.
- The application business rules objects are written in COBOL and can be invoked utilizing enterprise JavaBeans.
- CorDaptix uses dynamic HTML (DHTML), a web browser interface and the Tuxedo communication middleware.
- SPL has developed a well-defined and documented methodology for conversion of legacy data; the system conversion tool kits will help facilitate the conversion steps and allows for incremental conversions.
- The XML integration will aid in the process of developing interfaces to share data with third party systems.
- The system operates on an Oracle or a DB2 platform. Either platform will accommodate high volume current and future requirements and can be leveraged as an enterprise wide platform solution.

SPL WorldGroup has the experience and expertise gained from many successful implementations of the CorDaptix product. The implementation of the independent CorDaptix Credit and Collections solution is a new venture for SPL. Their system is componetized with CIS as the core of the system. The full suite of products would be installed on the system with only Credit and Collections and it's associated modules "turned on". This will allow the Credit and Collections module to function without the necessity of removing modules or code from the base package, thus ensuring the integrity and completeness of the system. SPL has

exercised functional and technical analysis to ensure a sound and stable configuration. There is , however an element of risk associated with an unproven scenario such as this and caution and due diligence are recommended. It may be prudent to incorporate contractual safeguards in the event of a serious situation during construction and implementation.

The Credit Selection team arrived at it's recommendation after an argues process involving two very strong and viable vendors. Both vendors met the business functional requirements. Both vendors' products operate on a platform which Nicor can embrace. The Selection team felt that the differentiation between the two vendors was SPL WorldGroup's ability to offer a robust suite of products which complimented their Credit solution. The team felt that SPL offered an enterprise wide, customer centric database solution that would serve Nicor's strategic direction towards a customer centric repository. SPL's solution offers plug-ins which allow the system to be customized without vendor intervention and associated costs. The selection team is confident that SPL WorldGroup offers a viable Credit and Collections solution with associated products which can be utilized to compliment the Credit system . The team views SPL as a strategic partner who is well positioned to meet and exceed Nicor's strategic initiatives.

2. Preferred Vendor Review

2.1 Background

SPL WorldGroup, Inc. is a subsidiary of SPL WorldGroup B.V., privately held and incorporated in the Netherlands. SPL (Systems Programming Limited) traces it's origin to 1968 with it's first office In Johannesburg, South Africa. Over time, **SPL** established independent offices in Israel, Australia, Southeast Asia, and the United States.

In 1994 these independent replicas came together to create a single global entity to share investment expertise and to deploy it's services worldwide. Today SPL employs over 550 staff members , 170 in the **U.S.,** with offices in San Francisco, CA, Chicago, IL, and Morristown, NJ. The company CEO is C. D. Hobbs.

2.2 Corporate Overview

SPL WorldGroup, Inc. is an international provider of advanced information technology, consulting, and software development services for large-scale information processing and distribution organizations. SPL's services encompass open system computing and legacy applications and include IT strategy, software development, technology migration, and custom application integration. It's services are supported by a proprietary design and development methodology based on object oriented programming principles with a fixed price, fixed timetable basis with significant client involvement in all stages of the process.

2.3 Revenues and Company Business

For fiscal year ending June 30,2000, SPL WorldGroup, Inc. reported net worth of approximately $38,675,000 with $73,327,000 in assets and $35,198,000 in liabilities. Its sales figures were $65,940,000.

The source of its sales revenue includes 75% in IT services and 25% in license sales.

3. Credit Product Functionality

3.1 Overview

SPL WorldGroup's product proposal encompasses five components; Credit and Collections, Field Orders, Payments, Adjustments and the core CIS.

SPL WorldGroup's Credit and Collection component will allow Nicor Gas to treat our customers as an individual rather then painting them with the same color. The behavior model will allow us to segregate customers based on their payments habits and make better business decisions that will reduce the cost associated with turning off all customers.

SPL WorldGroup's Credit and Collection has some level of functionality for the following processes. These processes were defined by the Business Unit owner as the key functional requirements.

- Customer ID – (Customer Centric)
- Behavior Model
- Credit Cycle
- Route Selection
- Charge Off
- Collection Agencies
- Deposit
- Deferred Payment Arrangement
- Customer Contact
- Legal (bankruptcy)
- Reports

3.2 Customer ID/ Customer Centric

This Credit and Collection component has the ability to link a customer to more than one account based on a unique identifier. This unique identifier could be the customer's Social Securiiy number if available, Tax I.D. or a number assigned by the product. SPL WorldGroup's Credit and Collection component has the capability to map to a user defined field which can contain the Nicor Gas account number.

3.3 Behavior Model

The Behavior Model allows the business unit to set their rules for behavior modeling by a behavior score. For the behavior score, the business unit would write a rule to perform action based on an event. The events could include number of years as customer, deferred payment arrangements exist, or any status of a field which can be interrogated. Based on the score, the user may determine what action to take. The action the user

may perform could include but is not limited to a friendly letter, a telephone call or disconnect the service.

3.4 Credit Cycle
Flexibility of SPL WorldGroup's Credit and Collection component allows the Business Unit to define their credit cycle through business rules. The credit cycle will **not** depend on our current billing cycle as it does today. Once the customer is billed, the Credit and Collections component will take over if the customer does not pay their bill by the due date and take whatever action based on the business **rule.** If the Business Unit controls the credit cycle, it will allow them to be able to monitor what the best practice is to reduce delinquencies thus reducing charge-off.

3.5 Collection Agencies
SPL WorldGroup's Credit and Collection component has the ability to monitor what process has taken place on an account. If a past-due account was sent to a third party for telephone collections, the product has the ability to tract the customer's performance based on the type of contact made. If the customer did not fulfill the obligation, then the next action taken could be disconnect of service or whatever rules the Business Unit defined for the telephone collection process.

3.6 Deposit
The Credit and Collection component has the ability to link any type of security item to an account, i.e. cash deposit, letter of credit, surety bond, etc. Accounts can be monitored and automatically flagged for billing if they meet the rules defined by the Business Unit. When the account is flagged to be billed a deposit, it will send an alert to the legacy system for billing of the deposit.

3.7 Deferred Payment Arrangement
The Credit and Collection component has a high level ability to set up a customer on deferred payment arrangements, but will need some modification if a down payment is required at the initial set-up. However, once an account is set up on deferred payment arrangement, it has the ability to monitor the number of times an account was set up, the number of times an account defaulted. It also has the ability to send the account to a work queue or supervisor if the account exceeded the requirements.

SPL WorldGroup does not have a Budget Program within the Credit: and Collection Components. However, it does have the Budget Program in the Billing Component of their Product.

3.8 Customer Contact
The Credit and Collection component records all type of contacts on a customer's account. If a customer calls in for a final reading and is past

due, the account can be sent via a work queue based on the business rules. This will allow the Business Unit to send this account directly to an outside Collection Agent for further collection processing.

3.9 Legal

The Credit and Collection component has the ability to track a bankruptcy from the time it is entered onto the customers account, track payments made towards bankruptcy and create reports based on the bankruptcies.

3.10 Reports

SPL WorldGroup has audit reports for exceptions that occurred during nightly batch processing. They also have some canned reports, but other reports need to be defined and built by the Business Unit.

3.11 Overall Look and Feel of User Screens

The overall look and feel of the screens are friendly and consistent. The screens provide drop-down menus and alert buttons on the customer account screen. (Alert buttons could be customer on deferred payment arrangements, medical condition exists, etc)

3.12 Security

The System Administrator in the Business Unit has the ability to set up security at the Manager, Supervisor and Group Levels. Security can not be set up at the field level, but can be at screen level or business function level. (i.e. certain fields, screens or business function level can not be set up to view only, but rather change and update)

3.13 Assessment

Product Functionality – SPL WorldGroup	
Strengths	Risk
• Behavior Model • Behavior pattern – driven off score which is determined by an event • Multiple credit cycles • User defines business rules • Ability to link a different type of security item to an account • Customer Centric • Has some canned reports – business unit defines all other reports • Has a full suite of product offerings • Utility industry knowledge • Enables the client to define how the system distributes work to teams and/or individuals (work queues) • System Administrator has the ability to set security at screen level but not a field level.	• Has the ability to set account up on deferred payment arrangemenis, but lacks a down payment calculation. • Budget plan available in billing component only • Currently does not have field level security. Due to be incorporated in Q301 release.

4. Architecture

4.1 Application Framework

CorDaptix incorporates a module-based framework based on a fully normalized data structure that includes the following benefits:

Componetized Architecture

CorDaptix is table and component driven. Plug-in components give users complete control of the business functions. The major benefits of this approach include:

- A table driven structure, in which Nicor can define values in control tables that manage every aspect of the package.
- Parallel background processes to ensure scalability. All background processes can run in an unlimited number of parallel threads.
- Automatic restarts for all background processes. This eliminates painful database restorations if a job crashes.
- Easy to test, fine-tune, upgrade and reuse business logic.
- Easy to scale teams to build new components.
- Nicor can define rules (as plug-ins) and identify which plug-in to use for specific business tasks (such as bill printing or interest calculation) via control tables. The package can call specific plug-ins to complete tasks Nicor's way, using Nicor work processes.

Web Browser Interface

CorDaptix uses dynamic HTML (DHTML), a web browser interface, and the Tuxedo communication middle-ware. The enhanced technical architecture offers the following advantages:

- DHTML and JavaScript (no Java, no applets) to communicate with the server.
- The system uses BEA's Tuxedo as the messaging middle-ware for enhanced client/server communication.
- The application business rules, written in COBOL, can be invoked via EJB (Enterprise JavaBeans) on the web server and/or called directly from background process drivers.
- CorDaptix uses Extensible Markup Language (XML) to enhance system communication and facilitate the process of developing interfaces to share data with third-party systems. The system supports third party Application Programming Interfaces (API's) via XML--any task that users can execute through a web browser, a third-party system can execute using XML.

Meta-Data, Templates and Upgrade Tools

CorDaptix employs Meta-data to control the database structure and business rules, Templates to generate the business objects, and a Meta-SQL to define the Structured Query Language (SQL) calls

embodied in the business objects. These features include the following benefits:

- Meta-data controls the database structure and business rules, which reduces human programming requirements and simplifies upgrades.
    - A fully normalized database. which is easy to understand. access and maintain, and reduces conversion efforts and improves performance. This can also simplify the transfer of data to a data warehouse (which can then be normalized for queries).

The system includes upgrade tools that can:

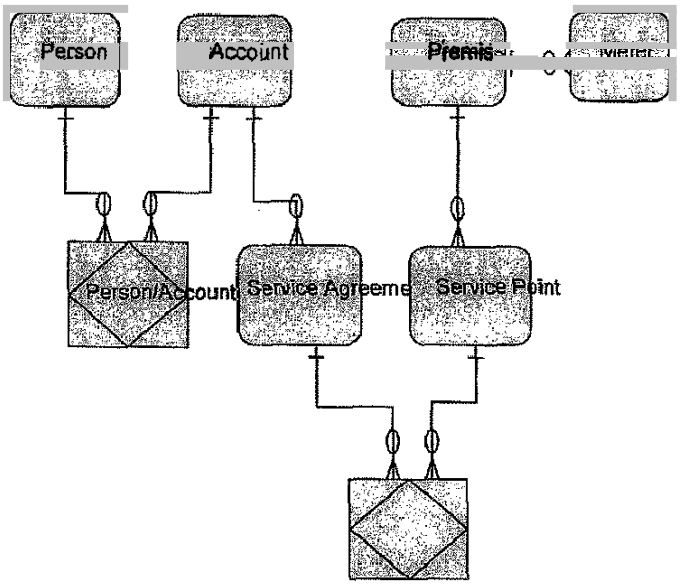
- Identify the changes made to the original base product for Nicor specific implementation.
- Compare those changes to the enhancements in the new version.
- Integrate the database changes into the new product schema and convert Nicor data
- Integrate Nicor modified business rules into the new product business objects.

4.2 Customer **Centric** Data Model

CorDaptix provides a comprehensive ***Customer*** Demographic and Geographic data model, which facilitate business processes **to** define and maintain ***customer centric*** information as well as ***premise*** pertinent information ***(see figure 4.5.1 below)***. Therefore, users can:

- Maintain demographic (i.e., customer centric) information about individuals (residential customers) and business (commercial/industrial customers).
- Maintain geographic information (i.e., premise/location) about all properties and service points.
- Keep track of customer contacts.
- Maintain Contract details for all obligations, including: Service contracts for traditional gas services, and non-gas products.
- Support customer/accounts charge-off's.
- Assign and set up payment arrangements and deposits.
- Define relationships for direct-access (i.e., Customer Select) suppliers and customers, and manage the customer choice program..

Figure 4.5.1


Person
Account
Premis
Person/Account
Service Agreeme
Service Point
Serv. Agr.-
Sew. Point

4.3 Assessment

Strengths	Risk
Product Architecture	
• Scalable N-tier Architecture • Industry leading middleware (BEA Web Logic Server) • Web Browser based presentation layer • Well defined Business Objects Layer for easier Cross-Product Integration • Strong configuration features both at data and process level. • Ability to customize the product behavior by creating the plug-ins in house *(by Nicor* team). • Plug-ins can be written in many programming languages including MF *COBOL .* • Add on components like Rates, Meter Reading and Meter Management that can be leveraged at a future date (Requires *detailed* analysis)	• The product offering is integrated hence may require additional implementation efforts in terms of data conversion and synchronization. • Evolved product architecture may have residual un-engineered components • No in-built Archiving feature. May need to be developed based on the credit customers churn.
Conversion, Integration & Migration (CIM) Methodology	
• Well defined and documented methodology for conversion • Readily available tool kit to facilitate most of the conversion steps. • Ability to run incremental conversions.	• The tool kit Business and Data Rules are duplicated outside of the product. (Hence caution needs to be used that these are the same both in the package as well as tool kit).
Interfaces Architecture	
• XML based integration/interfaces architecture. • Well suited to transition into EAI architecture at a future date.	• Higher learning curve for Nicor
Customer Centric Data Model	
• Robust Data Model (based on the Utility Industries requirements) • Customer Centric and Premise Centric Meta Model	

5. Platform

5.1 Database impact

Currently Nicor supports both Informix and SQL Server databases. With IBM's purchase of Informix, it is very likely that Informix will have a limited life. Based on the research regarding IBM's strategy, we will no longer develop new applications on Informix and will formulate a timetable for moving current Informix databases to another DBMS. We will continue to support SQL Server as it has a strong presence in smaller database needs with package applications. We will need to embrace another major database standard where package choices do not offer SQL Server. The likely databases today are Oracle or DB2. In terms of package offerings, Gartner has stated the most popular underlying databases are Oracle and SQL Server, with only the largest packages pursuing DB2. Per Meta Group 5/2/2001, the distributed database market shares are Oracle (52%), IBM DB2 (17%). Informix (8%), and others (Microsoft, Sybase, etc @ 23%). Meta Group predicts as IBM and Oracle aggressively target existing Informix customers; IBM will grow to 23%, while Oracle climbs to 54%.

It is dearly time to migrate our existing Informix databases to **SQL** Server or the additional database standard. This will alleviate carrying maintenance fees and needing skills/staff to support 3 database engines. However, it will take a fair amount of time to migrate roughly 30 databases off of Informix (most significantly is MNIS and Lawson).

We don't think the database platform is a deciding factor for the credit package selection since the choice of SQL Server with London Bridge isn't certified at our volumes and has a fair amount of risk to it. So in either case we will introduce a new database standard. We believe the selection of the database vendor is a secondary decision. If **SQL** Server was proven with London Bridge at our volumes on Windows 2000 (W2K), it would be an influence to the credit package solution to stay within our existing database standards.

5.2 Unisys impact

We are unable to project the additional load the Credit replacement will put on the existing production mainframe. The Unisys effort related to credit is data conversion, pulling out credit functionality from the legacy, building interfaces, and extensive testing of all of these. SPL has

recommended three new development environments (development, testing, and conversion) for the credit legacy team to work in. New environments are required so the existing production support and CCISP efforts are not disturbed. We believe it could be significant enough to impact the existing developers throughput and also inhibit the implementation effort.

Conclusion:

Based on the uncertainty of the Credit load on the mainframes, we need to do one or more of the following: take some load off, shift load around, or add processor. The addition of processor may cost $1.5 - 2.0 million. IT Operations is trying to better analyze all the choices, including the best utilization of our testing mainframe as well. The possible impact could be to the business unit, developers, and/or financially.

5.3 Assessment

Strengths	Risk
SPL WorldGroup	
• COBOL plug-ins for custornization is attractive with existing skills set present today. • Industry leading middleware – BEA, Web Logic Server • Standard APIs available for integration.	• Alpha site implementation as the Credit module has never been independently configured. Technical feasibility and sizing could be inaccurate. • Code may require vendor customization to operate independently; could jeopardize upgradability
Oracle	
• Comfortable with high profile applications in the HP-UX environment. Existing skill set knowledgeable in many of the tools and processes.	• Steep learning curve, costs, skill acquisition and resources. Very little Oracle skill set today.
DB2	
• Comfortable with high profile applications in the HP-UX environment. Existing skill set knowledgeable in many of the tools and processes.	Steep learning curve, costs, skill acquisition and resources. Very little DB2 skill set today.

6. Suite of Product Offerings

6.1 Overview

The Credit Selection Team conducted a validation of SPL WorldGroup's suite of products to obtain a high-level understanding of their other products and services. Listed below is a high level explanation of those product offerings.

6.2 Rates

All rate algorithms are user-defined and component driven. The rates engine also includes:

- Rate algorithms used to calculate the charges that appear on the customer's bill.
- Perform rate studies and "what if' tests to determine the impact of rate changes.

6.3 Billing

CorDaptix provides the complete support for defining bill formats and creating the bills. It includes the support for:

- Pass-through billing (where outside vendors pass their changes through to Nicor Gas) .
- The ability to pass charges through to a third party so that the third party can bill for our charges.
- On-line graphical view of bill usage comparison.

6.4 Meter Reading

CorDaptix provides full support for accepting meter reads and determining consumption. This includes:

- Define and manage read routes.
- Download meter-read requests.
  Upload meter-reads from a meter-read system or service.
- Traditional usage meters (4,5 dial meters, etc.).

6.5 Meter and Equipment Management

CorDaptix allow the user to define and manage the metes and equipment for each customer. It allows the user to:

- Define meter and equipment relationships
- Track the installation and configuration history of meters, equipment, and other items.
- Select meters, equipment, and items for testing as well as manage the service-related data resulting from those tests. This would also include testing new meters shipped from third party vendors.

6.6 Field Orders

CorDaptix provides extensive, intuitive support for creating and managing the filed order process.

- Create and dispatch field activities.
- Download field orders for:
  - Printing
  - Electmnic routing
- Records results of the field orders. This can occur through manual updates or an electronic upload.
- Log ad hoc work requests from field personnel.

6.7 Payments

Allow users to accept and process payments received from the customer or an outside agency on the customer's behalf. Users can:

- Record customer payments
- Distribute payments to the customer's accounts.
- Distribute payments to multiple accounts.
- Manage and resolve payments that are in error.
- Cancel payments.
  Manage automatic payments.

6.8 Adjustments

Provides tools for making adjustments to customer balances. Users can:

- Levy miscellaneous fees and credits
- Change a customer's debt.
- Transfer debt between customers.
- Route check requests to the accounts payable system.

7. Direct Vendor Investment

7.1 Overview

Credit Cost Components	SPL World Group
Acquisition Costs	
• Base License	1,018,000
• Hardware	3,292,806
• Connectivity	2,300
• 3rd Party Software (database, etc.)	1,157,328
• Others	
Total:	5,470,434
Implementation Costs	
• Vendor Implementation	976,950
• Vendor Training	67.206
• Estimated Travel and Expense	125,250
Total:	1,169,400
On Going Vendor Maintenance Costs	
• Annual Maintenance Contract	
◦ Package	203,600
◦ Hardware	350,000
◦ Database license	154,000
▪ 3rd party software licensing	
• Other Infrastructure (leased lines, etc.)	14.400
Total:	722,000

8. Additional information

8.1 Vendor Ability to Deliver

SPL WorldGroup is well positioned to provide Nicor with a strategic partner moving forward. Nicor can leverage SPL's experience in the utility industry when planning long term strategic initiatives and when shorter term ICC regulatory modifications are required. SPL's staff members offer a variety of utility and credit and collections expertise which can also be feveraged when planning system enhancements. SPL is well regarded by both Gamer and Meta and offer a robust report card of successful utility implementations.

The selection team conducted a reference check with Omaha Public Power District (OPPD). We spoke with Julie Comstock, Manager of Customer Information System.
She offered the following comments and input relative to OPPD's experience with SPL.

- OPPD implemented the CIS Plus version 2.5.2 system. They implemented the system over an 18 month period. They have been using the system since September 2000.
- Their former environment was an IBM mainframe and their objective in selecting a package solution was to increase functionality. The SPL system met those objectives.
- Ms. Comstock was very pleased with the level of support received from SPL over the course of the implementation. Their staff was knowledgeable of the system and was able to suggest new process and procedures.
- OPPD reported that they speak with SPL on an average of a weekly basis. The issues range from operational errors to medium and moderate system problems. They have reported only 3 priority 1 problems since implementation.
- Ms. Comstock indicated that she was very pleased overall with the level of service received from SPL and functionality of the system.

The Credit Selection team confidently recommends SPL WorldGroup as the vendor package solution to fulfill Nicor's goals towards improving it's Credit and Collections capabilities and to provide a strategic partner to work with Nicor to realize long term strategic objectives.

8.2 Final Selection Criteria, Rankings, Weights

The Selection Team utilized the following criteria and weighted scoring when determining its final vendor package selection.

		London Bridge		SBL Worldwide	
Criteria	*Weight Factor*	*Score*	*Weighted*	*Score*	*Weighted*
Functionality	10	34	340	26	260
Customer Centric	8	15	120	18	144
Functional Extensibility/Other Product Offerings	8	18	144	40	320
Technical Direction	8	12	96	11	88
Architecture	6	21	126	34	204
Integration Feasibility	8	36	288	37	296
Vendor Ability to Deliver	6	60	360	57	342
Total Score:		**196**	**1474**	**223**	**1654**

Weight ***Factor: 0*** to ***10*** (10–Most ***Critical)***

Definitions:

Functionality	Base functionality of the system that supports the Credit business criteria without significant package enhancements.
Customer Centric	The Data Structure design which allows for customer based information to be stored in a relation database and to be structured around the customer as the primary entity.
Functional ***Extensibility/Other*** Product Offerings	Other software modules/packages, offered by the vendor, which can be integrated within Nicor's operational system environment.
Technical Direction	The hardware/software platform in which the package operates and how compatible it is with Nicor's direction and preference.
Architecture	The functional layers of the package and connectivity with current or desired platforms--including process and data models extensibility.
integration Feasibility	The ability of the package to convert, migrate and integrate within Niwr system environment(s).
Vendor Ability to ***Deliver***	The ability of the vendor to work with Nicor as a company--including the capability/expertise of available resources.

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Credit & Collections			
			Created 6/14/2004

Systems **Integrator** Selection

Overview

A Request for Approach (RFA) was sent to the following vendors in July, 2001:
1. Accenture, LLP
2. Keane, Inc
3. ESP (Energy Solutions Plus, Inc)
4. SPL WorldGroup

Responses were received from the following vendors by August 14, 2001:
1. Accenture
2. SPL
3. Joint response from Keane and ESP

Scoring

The leadership team of Dan Rourke, Barbara Zeller, Cindi Reyes, Ron Katt, Cindy Nelson, Tim Kaufrnan reviewed the vendor responses Supplemental information was requested from the vendors to clarify various components of each anoroach. The SPL response was deemed inadequate to meet Nicor's full project requirements (including integration with legacy systems). The Accenture and the Keane/ESP proposals were evaluated with a scoring matrix (see attached summary).

The leadership team recommended Accenture as the preferred vendor at its meeting on August 29,2001. This choice was confirmed at the September 2001 Sponsor meeting.

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Meeting Agenda

Meeting called by:	*Dan Rourke*	*Date:*	*August 29,2001*		
Participants:	*Dan Rourke, Barbara* **Zeller,** *Tim* **Kaufman,** *Cindy Nelson, Ron* **Katt**				
Meeting place:	**BZ's**	*Start:*	**4:00** *p.m.*	*End:*	**5:00 p.m.**
Purpose of meeting:	*Credit Project Leadership*				

Agenda *items* — **Time allotted**

SI *Vendor Selection*

- *Vendor Selection Criteria – Give your updated vendor selection grid to Dan.*
- *Options – Dan will notify Accenture that they are the preferred SI of choice*
- **Negotiations/Approach** – *We feel we have mutual leverage by virtue of the fact that we want a fixed bid and not to exceed $10MM. Kyle has to get Bob comfortable with the bid, and we have to get Rocco/Barbara comfortable that we can do it for less than $10. It can be a win/win without having another vendor in the loop.*
- *Nicor as* **SI** – *We need to move in that direction for phase II. If it is the only option to save the project we're ready to go for it.*
- *Design, Build, OPERATE? We're suspect thaf it can really save us money. Not a priority.*

Accenture Meetings **Thursday/Friday**

- **Cost Risk** *Matrix (Attached) - Give any concerns or questions to Dan. Jose will double check the Nicor calculations and clarify what the calc's are.*
- **Strategies/Approach** *for* **Fixed/Not** *to exceed*
- *Role in IT Infrastructure – Keith and Ron will be at Friday's meeting.*

Contracts

- *SPL* **License/Maintenance** *update (DWR - notes) – Tim/Ron have copies and will give Dan comments*
  - DR talk to Ron on "gap in liability"
- Gartner *assistance -Analyst call 8/31.*
- *Source Code requirements – BZ will talk to Guerry Watters*
- *Defining acceptance criteria Dan will get Accenture's thoughts*
  Need to check Customer/1 approach

Misc — 10 *minutes*

- Unisys *update* (Ron) –
  - *Tim/Cindy own.*
  - *Who is Tech Lead? Tim/Cindy to decide*
  - *ADS estimate due 8/31 (Actually was published 8/29)*
  - *Unisys $ - Ron owns*
  - *Does this tie to the system test slice effort? Cindi*
  - *Leadership to make decision Wednesday 9/5 on next steps and timing.*

- **Biztalk** *update (Cindy)*
- *Project* **Start-up timeline (Dan)** – *Rocco wants as much $ moved to next year as possible from an OE perspective. We need to be creative.*
- *FPC* **Presentation/timing** *-Meeting is now set for 9/13. Rocco wants a separate meeting in advance with Phil and Kathy. Currently set for 9/10.*

SI Selection Critera	Accenture				Keane/ESP			
	Tim K.	Dan R.	Cindi R.	Cindy N.	Tim K.	Dan R.	Cindi R.	Cindy N.
Relationship with SPL	2	3	2	2	0-1	0	0	0
Familiarity with Nicor	2	3	3	2	2	3	3	2
Project Methodology	3	2	2	-	3	3	3	-
Utility Experience	3	3	3	2	1	2	2	1
Credit Experience	3	3	3	2	1	2	2	0
Package Experience	3	2	3	3	1	2	3	1
SPL Experience	3	2	3	2	1	0	0	0
Change Mgmt	-	2	2	2	-	3	3	1
IT Ops Capability	3	2	3	2	1	1	1	0
Culture Fit	1	3	3	1	2	3	3	2
Architectural Leadership	2	1	1	2	2	3	3	2
Risk Mgmt Approach	2	-	2	2	2	-	3	1
Integration with Project Office	1	2	0	1	3	3	3	3
Testing Expertise	2/3	2	2	2	2/3	3	2	2
Program Management/QA	3	2	1	2	3	3	3	3
Unisys Background/Support	?	-	3	0	?	-	0	1
EAI Experience	3	2	-	2	?	1	-	1
SCM Experience	3	3	2	2	3 (SCM)	2	2	1
Flexibility in Pricing and Approach	2	2	2	1	2/3	2	2	3
Long -term Nicor relationship	3	3	3	2	3	3	3	2

Scale 0-non-existent; 1- weak; 2-average; 3- strong

WP (F-4) 7

Daily Metering of Transportation Customers

Rate 74

Northern Illinois Gas

WP (F-4) 7 2/16

PLANT BUDGET AUTHORIZATION REQUEST

36-4008 4-84

NOTE: Use additional pages if more space is needed

Page 1 of 1

BUDGET ITEM NO.	DEPT. NO.	DIVISION	ACTIVITY TYPE (See back)	AFUDC (See back)
8806	127	ALL	METERING	☐ YES ☒ NO

W. STMENT	1 7 2 0 4 5 - 1 7 2 0 5 1	PARTIAL AUTHOR.
W.O. # RETIREMENT		☐ YES ☒ NO

FILE NO.	NBA/MR/PI/SI NO.	EST. START DATE	EST. COMPLETION DATE
			YEAR 1997
			QUARTER 4

ESTIMATED EXPENDITURES ($000)			
YEAR	THIS REQUEST	PREVIOUS AUTHORIZATION	TOTAL AUTHORIZATION
19	1,859	4,800	6,659
19			
19			
RETIRES			
TOTAL	1,859	4,800	6,659

PROJECT LOCATION

Company wide.

PROJECT DESCRIPTION

Daily metering of Transportation customers. Rate 74.

ALTERNATIVES CONSIDERED

REASON FOR REQUEST

REASON FOR BUDGET REVISION

1). Cost for Phase I of this project exceeded previously authorized amount by $573K. (See Exhibit I).

2). Request additional funds to complete Phase II of this project. Estimate is based on 4,000 customer installations. (See Exhibit II).

FOR REVISIONS ONLY

REVISION NUMBER ☒ 1 ☐ 2 ☐ 3

REIMBURSABLE? ☒ NO ☐ YES ____%

INCLUDED IN BUDGET?

DOLLARS AND YEAR(S)

1997

$1,400K

MAINS TO BE INSTALLED

FOOTAGE	SIZE	TYPE	CLASS	COST/FOOT EST.	COST/FOOT STD.

OF TOTAL MAIN TO BE INSTALLED

MAINS TO BE RETIRED

FOOTAGE	SIZE	YEAR INSTALLED	TYPE	FOOTAGE	SIZE	YEAR INSTALLED	TYPE

FEET OF TOTAL MAIN TO BE RETIRED

OTHER FACILITIES (INSTALLED OR RETIRED)
TO INCLUDE ANY OPERATING EXPENSE IMPACT

ECONOMIC ASSESSMENT DATA

ITEM	VALUE
COST OF CAPITAL (after tax)	%
PRESENT VALUE AT C/C	$
INTERNAL RATE OF RETURN (IRR)	%
TREASURER'S OFFICE APPROVAL (if FPC to approve)	DATE

APPROVALS

RECOMMENDED BY DN Overgaard DATE 4/3/97	APPROVED BY SENIOR OFFICER DATE 4/4/97
APPROVED BY NICC DATE 4/4/97	APPROVED BY BOARD OF DIRECTORS / FPC DATE
BUDGET COMPLETION / TOLERANCE CHECK BY DATE	POST-INVESTMENT REVIEW ☐ YES ☐ NO ☐ UNDECIDED
	IF YES, QUARTER YEAR
ACTUAL EXPENDITURES AND COMMITMENTS THROUGH DATE OF COMPLETION $	PICC COMPLETION BY DATE

SUMMARY OF DAILY METERING PROPOSAL

A detailed description of the daily metering proposal is attached The following is a summary of the pros and cons of doing the project.

Pros

1. This capital expenditure would have a tariff for recovery of investment and ongoing maintenance costs.

2. Project could generate a positive net present value of up to $18.5 MM with sale of the release of storage capacity.

3. Reduction in manual meter reading and administrative expenses ($0.4 MM per year).

4. Sale of meter readings to customers to improve account management ($66,000 per year).

5. Sale of released storage capacity would generate at least $1.9 MM per year.

6. Establishment of more accurate MDCQs.

7. Fewer cancels and rebills because of meter reading errors.

8. Quicker discovery of slow or stopped meter due to more frequent reads.

9. Capability to do calendar month billing to match pipeline.

10. Ability to establish more accurate usage for allocating costs and offering new services.

Cons

1. Company would invest about $4.8 million for the project when it is looking for ways to reduce capital expenditures.

2. Future rate case order for transportation service rate design may not require daily metering of customers or decrease the number of customers needing daily metering.

3. If company does replenish some Rider 27 storage with its own gas purchases, there could be a negative net present value of as much as $2.9 MM without a future rate case.

SUMMARY OF ECONOMIC EVALUATION OF RIDER 27 DAILY METERING PROJECT

Investment:	$ 4,761,300
Annual Operating Cost Savings:	$ 391,700
Annual Operating Revenues Sales of Meter Reads:	$ 65,500
Facilities Charge:	$ 1,209,800
Rider 26 Sales:	$ 1,900,000
Annual Operating Expenses:	$ 233,100
Net Present Value With Rider 26 Sales:	$18,505,000
Without Rider 26 Sales and Excluding Storage Costs	$ 5,700,000
Without Rider 26 Sales and Including Storage Costs	$(2,900,000)

REQUEST FOR PLANT BUDGET AUTHORIZATION

Daily Metering of Rider 27, Limited Transportation Customers

Summary

This proposal evaluates and recommends the instalfation of daily meter reading equipment ($4.8MM) as an option for **11,800** variable backup transportation customers. The option would be available to all customers served under Rider 27, Limited Transportation Service. Currently, NI-Gas manually reads small transporters meters on a monthly basis. Without daily usage information, the company cannot accurately monitor usage and assess charges for customers who select less than 100 percent backup. Under the arrangement of reading monthly, transporters are afforded supply flexibility, and thereby encouraged to elect zero supply backup.

Daily metering of Rider 25, Firm Transportation Service customers is not necessary because these customers have selected 100 percent backup service. Therefore, daily metering would initially be limited to Rider 27 customers through a new rider. At a later date, the company may expand the proposed rider to include daily metering for Rider 25 customers. This report focuses on providing daily metering for Rider 27 customers but also contains information on serving Rider 25 customers.

The Illinois Commerce Commission (Commission) has been requiring gas utilities, as part of a rate case, to provide daily metering for variable backup transportation customers. It is anticipated that NI-Gas will be so directed in its next rate case. It is proposed that NI-Gas initiate an optional daily metering rider to capture operational advantages in expense reduction and in setting its own implementation schedule. Based on recommendation by the Rate Committee, potential Commission action, and several service-related benefits of this program, it is recommended that NI-Gas implement an optional daily metering rider and fund associated costs.

Background

NI-Gas currently offers transportation service to two customer classes: large users on Rates **76** and **77 (240** customers); and small users on Riders 25 and **27 (16,200** customers). Deliveries to Rate **76** and 77 customers are metered on a daily basis by NI-Gas. Pipeline deliveries for these customers are also monitored daily by NI-Gas. On days when one of these customer's usage is greater than his pipeline deliveries, the customer utilizes his own gas, which is stored in NI-Gas facilities. Should he exhaust his stored gas, he must purchase gas from NI-Gas. Daily metering of usage and monitoring of pipeline deliveries allows NI-Gas to balance individual accounts on a daily basis and charge for use of company gas.

In contrast to large transporters, small transporters (operating under Riders 25, 100 percent backup, and Rider **27, less** than **100** percent backup) are metered monthly, not daily. There are approximately **11,800** Rider **27** customers and 4,400 Rider 25 customers.

While NI-Gas does monitor their daily deliveries, the lack of daily usage information precludes the company from determining when these transporters use company gas. (That is, unless a customer's end-of-billing-period balances indicate a net use of company gas.) Under this arrangement, within a billing period, a customer can use company gas, offset that use with higher deliveries into storage and, by the end of the billing period, avoid charges for company gas use and/or potential charges for excess storage.

Additionally, under Rider 27, transporters can elect a variable level of company-provided gas supply backup. Transporters selecting no gas supply backup (or those exceeding their backup level) who utilize company gas may be subject to severe "unauthorized use" penalties. Here again, these penalty charges cannot be accurately assessed without daily metering.

The "unauthorized use" penalties are intended to encourage transporters to abide by their contracts. To avoid unauthorized use, some customers purchase backup. Backup charges contribute to pipeline demand fees for peak-period deliverability. Third-party gas brokers and some transporters, aware of the company's monitoring system, take advantage of this supply flexibility by selecting little or no backup. This shifts the burden of pipeline demand charges to non-transporting customers, while providing peak period availability of product and deliverability to transportation customers.

To provide the company some buffer in this arrangement, Rider 27 requires limited backup customers to maintain a storage cushion. The required cushion is in reverse proportion to their backup level, ranging from one month's supply for no backup to zero for 100 percent backup. The total gas cushion for Rider 27 customers is approximately 82 Bcf from mid-October through mid-March. Rider 27 customers may reduce their required storage to 25 percent of the peak period amount during the summer months.

In recent rulings regarding transportation customers, the Commission has required gas utilities to provide daily metering for transportation customers taking less than 100 percent backup, In the Commission's opinion, daily metering is the fairest solution given the complexities and potential inequities of transportation service. It is anticipated that NI-Gas will be required to provide daily metering in either its next transportation tariff revision or general rate case.

Project Description

This project encompasses the development of an optional rider offering daily metering for variable backup transportation customers and purchase and installation of the daily metering equipment. The optional daily metering rider concept has been reviewed and approved by the NI-Gas Rate Committee. This proposal provides an economic evaluation of project alternatives, and concludes with an investment recommendation.

Daily metering would be accomplished through the installation of Metscan telemetering devices. NI-Gas would contract with a vendor to install telemetering equipment similar to that used for large transportation customers. The customers would be required to provide and maintain telephone service to the meters.

Installations costs would vary depending on the customer's equipment configuration. Costs would range from **$160** for most diaphragm meter accounts to $585 for specialized pressure sensitive equipment using rotary or instrument meters. The Rate Department has recommended that diaphragm metered customers be charged a $4 per month meter fee and larger customers would be charged a **$12** per month facilities charge, These charges are based on the estimated incremental investment and annual operating expenses as shown on the attached Exhibit A. Exhibit B shows the monthly metering charges for other Illinois gas utilities.

If all Rider 27 customers were to elect to take the daily metering option, total equipment outlays would be approximately as shown in the following table:

Customers and Investment for Rider 27 Daily Meters		
Customers:	Diaphragm	5,100
	Rotary/Instrument	6,700
	Total	11,800
Costs: ($MM)	Diaphragm	$0.8
	Rotary/Instrument	$4.0
	Total	$4.8

Lower subscription rates would result in proportionately lower costs. If offered, Rider 27 participation is anticipated to be close to 100 percent, as elimination of the need for carrying the cushion gas would provide strong financial incentive to elect the rider. In addition to the above mentioned equipment expenditures, NI-Gas would need to replenish the cushion gas currently furnished by the Rider 27 customers. This cost ($16 MM, if fully subscribed) would be recovered through the GSC as gas is sold. Carrying costs for this gas are currently recovered through inclusion in the rate base.

As an alternative to NI-Gas replenishing the gas in storage currently provided by Rider 27 customers, this capacity may be released for sale either on-system or off-system. If on system, NI-Gas may wish to increase Rider 26, Experimental Storage Service or Rate 20, Nominated Storage Service. An additional 8 Bcf of Rider 26 storage would generate about $1.9 million of revenues. As Rate 20 capacity, 8 Bcf would generate about $2.6 million of revenues.

In addition to overcoming the difficulties associated with monthly metering, installation of the daily metering equipment would allow NI-Gas to significantly reduce manual meter reading and administrative expenses ($0.5 MM annually at full subscription, see Exhibit A). Daily metering would benefit both customers and the company by providing greater flexibility in servicing these accounts. Daily metering would provide:

1. establishment of more accurate MDCQs;
2. fewer cancels and rebills because of meter reading errors;
3. quicker discovery of slow or stopped meters as meters are read more often;
4. calendar month billing to match pipeline billing;
5. ability to establish more accurate usage basis for allocating costs and offering new services;
6. provide frequent readings to customers to improve account management; and
7. possibility of more storage capacity for Rate 20 or Rider 26.

Alternatives

NI-Gas can wait for the Commission to impose daily metering in its next rate case or transportation tariff filing. Alternatively, NI-Gas could accelerate the project on its own initiative. Accelerating the project would result in increased costs to the company (discussed in the economics section), but it would allow the company to set its own implementation schedule. In a rate case, it is anticipated that intervenors would request and receive a rapid implementation schedule.

NI-Gas could offer this service at higher prices to make it even more economic for the company to provide daily metering. As shown on Exhibit B, prices for small meters range from $8.50 per month to $40.00 per month and for large meter installations from $32.00 per month to $63.80 per month.

Several brokers have approached NI-Gas to inquire about installing this equipment themselves. NI-Gas' current position is that the broker would provide the equipment and phone line while NI-Gas would install and maintain the equipment. The broker would reimburse NI-Gas for the installation costs. Allowing brokers to purchase the equipment and pay for installation reduces NI-Gas' investment and financial exposure. However, without a coordinated program for installing the devices, they may be installed in a haphazard and inefficient manner, resulting in more long-term operating expenses. Therefore, NI-Gas should initiate the program to maintain quality control over the project.

In a related issue, NI-Gas (and the Commission Staff) has a strong interest in initiating peak-day storage withdrawal limitations for variable backup transportation customers in its next rate case. This program has potential to reduce interclass subsidies of pipeline demand charges. Implementation of this program would require that daily metering capability be available.

Economics

As discussed above, NI-Gas can wait for a Commission directive imposing daily metering. That directive is anticipated within two years, and is regarded in this analysis as the alternative case. The incremental costs of implementing this program prior to the rate case is evaluated as the base case and the economics of this case are shown below.

The table below shows the present value analysis results of the costs and savings associated with implementation of daily metering as shown on Exhibit A. The present values in the table are detailed for each rider and type of installation at full subscription. Lower subscription rates in a segment would result in proportionately lower values. The table also illustrates the significant present-value cost of replenishing Rider 27 cushion storage gas, that is, the difference between the "Including Storage" and "Excluding Storage" sections. It should be noted that all of the capital outlays, operating expense savings, and carrying costs for the storage gas would be recognized and fully recovered through required revenues of rate restructuring.

	MET PRESENT VALUE ($MM'S)					
	Including Storage			Excluding Storage		
	Rider 27	Rider 25	Total	Rider 27	Rider 25	Total
Diaphragm	(2.1)	(0.0)	(2.1)	1.6	(0.0)	1.6
Rot/Inst.	(0.8)	(0.7)	(1.5)	4.1	(0.7)	3.4
TOTAL	(2.9)	(0.7)	(3.6)	5.7	(0.7)	5.0

Assuming a Commission Order to implement daily metering in two years, the additional net present value cost of doing the project now would be about $03 MM. This results from the present-value carrying costs for equipment and storage gas being only partially offset by the operational savings. The carrying costs for the equipment and the operational savings would not be reflected in rates until the rate case. The carrying cost of the storage gas would also be incremental to this alternative, though they were included in NI-Gas' last rate case.

If the company were to sell the Rider 27 required storage balance as an additional 8 Bcf of storage capacity, the net present value of the project would be a positive $18.5 million using Rider 26 revenues.

Recommendation

Based on acceptance by the Rate Committee, impending Commission action, favorable positioning for storage withdrawal limitation initiatives, and the service related benefits of this program, it is recommended that NI-Gas implement an optional daily metering rider and fund associate costs.

It is also recommended that the rider initially be limited to Rider 27 customers, since these are the transporters with variable backup service which will require daily metering when transportation tariffs are modified. Installation for customers would be according to the following timetable:

Sept. 15, 1994	File Daily Metering Option with ICC.
Nov. 1, 1994	Receive ICC approval. Start customer sign-up, and begin installing equipment as customers complete their telephone installation.
Jan. 1, 1995	Close sign up period.
Dec. 1, 1995	Complete Rider 27 installations. Customers can draw down storage balances. Begin billing under new option.

ASSUMPTIONS USED FOR DAILY R. ERING ANALYSIS

Exhibit A

Item	Rider 27 Customers			Rider 25 Customers			All Transportation Customers		
	Diaphragm	Rot/Instr	Total	Diaphragm	Rot/Instr	Total	Diaphragm	Rot/Inst	Total
Customers (#)	5,105	6,700	11,805	2,495	1,900	4,395	7,600	8,600	16,200
Investment ($000)									
Meter Installation	$816.8	$3,919.5	$4,736.3	$399.2	$1,111.5	$1,510.7	$1,216.0	$5,031.0	$6,247.0
Metscan System Upgrade	12.5	12.5	25.0	0.0	0.0	0.0	12.5	12.5	25.0
Total	$829.3	$3,932.0	$4,761.3	$399.2	$1,111.5	$1,510.7	$1,228.5	$5,043.5	$6,272.0
Annual Operating Cost Savings ($000)									
Special Get Reads @ $2.83	$159.0	$208.9	$367.9	$77.7	$59.4	$137.1	$236.7	$268.3	$505.0
Regular Reads @ $.25	1.3	1.6	2.9	0.6	0.5	1.1	1.9	2.1	4.0
Eliminations of 11-Ts	6.0	7.8	13.8	2.9	2.2	5.1	8.9	10.0	18.9
One Additional Day of Float	3.1	4.0	7.1	1.5	1.1	2.6	4.6	5.1	9.7
Total Operating Savings	$169.4	$222.3	$391.7	$82.7	$63.2	$145.9	$252.1	$285.5	$537.6
Additional Benefits ($000)									
Sale of Meter Reads	$28.4	$37.2	$65.6	$13.9	$10.6	$24.5	$42.3	$47.8	$90.0
Facilities Charges ($4 & $12)	$245.0	$964.8	$1,209.8				$245.0	$964.8	$1,209.8
Total Benefits of Project ($000)	$442.8	$1,224.3	$1,667.1	$96.6	$73.8	$170.4	$539.4	$1,298.1	$1,837.5
Annual Operating Expenses ($000)									
Storage Capacity Carrying Costs	$549.2	$720.8	$1,270.0	$0.0	$0.0	$0.0	$549.2	$720.8	$1,270.0
Maintenance Costs	63.0	82.7	$145.7	30.8	23.5	54.3	93.8	106.2	200.0
Telephone Service	37.8	49.6	$87.4	18.5	14.1	32.6	56.3	63.7	120.0
Total	$650.0	$853.1	$1,503.1	$49.3	$37.6	$86.9	$699.3	$890.7	$1,590.0
Net Annual Benefit of Project ($000)	($207.2)	$371.2	$164.0	$47.3	$36.2	$83.5	($159.9)	$407.4	$247.5
If Released Storage is Resold at Rider 26 Revenues:									
Rider 26 Sales	$500.0	$1,400.0	$1,900.0	$0.0	$0.0	$0.0	$500.0	$1,400.0	$1,900.0
Less Storage Capacity Carrying Costs	$549.2	$720.8	$1,270.0	$0.0	$0.0	$0.0	$549.2	$720.8	$1,270.0
Net Annual Ben. Excl. Storage	$842.0	$2,492.0	$3,334.0	$47.3	$36.2	$83.5	$889.3	$2,528.2	$3,417.5

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Exhibit B

Monthh Metering Charges for Variable Backup Transportation Customers

	Small	Large
Central Illinois Light Company	$16.80	$63.80
Central Illinois Public Service Company	29.00	56.00
Illinois Power Company	40.00	40.00
Iowa-Illinois Gas & Electric Company	8.50	-------
North Shore Gas Company	34.00	45.00
Peoples Gas Light & Coke Company	28.00	32.00

WP (F-4) 7 13/16

Memorandum

Northern Illinois Gas

Dare: September 15, *1994*

Subject: Daily Metering of Rider 27 Customers

From: Malcolm Quick MQ

To: Steve Cushman
Al Hams
Adrienne Reddick
Lyn Valor

On September *14,* 1994 the Northern Illinois Gas Board of Directors approved the capital investment for daily metering of Rider 27 customers. It is my understanding that each division would have a work order *to* tract the investment dollars. The attached exhibit shows transportation customers by division and can be used to allocated the *$4.8* million estimated investment.

Northen Illinois *Gas* Company
Rider 25 and Rider 27 Customers by Division
as of September 14, 1994

Division	Transportation Customers				
	Rider 25	% of Total R25	Rider 27	% of Total R27	Total
Northern	962	19.3	2,954	25.7	3,916
Central	715	14.3	1,533	13.3	2,248
West Central	1,126	22.6	2,330	20.3	3,456
Eastern	622	12.5	1,383	12.0	2,005
Northwest	436	8.7	1,133	9.8	1,569
Southern					
Joliet	320	6.4	453	3.9	773
Kankakee	115	2.3	150	1.3	265
Ottowa	153	3.1	192	1.7	345
Bloomington	178	3.6	184	1.6	362
Paxton	42	0.8	32	0.3	74
Carthage	18	0.4	40	0.3	58
Total	826	16.6	1,051	9.1	1,877
Western					
Rockford	206	4.1	898	7.8	1,104
Dixon	95	1.9	221	1.9	316
Total	301	6.0	1,119	9.7	1,420
Total Customers	4,988	100.0	11,503	100.0	16,491

WP (F-4) 7 14/16

Memorandum

Northern Illinois Gas

#8806

Date: August 17, 1994

Subject: Daily Metering of Transportation Customers

From: Steve Cushman

To: Dan Rourke

I've discussed this proposal with Deb Davis from the Meter Shop. The estimated "6 million expenditure" involves the installation of Metscan reading units on existing meters. Metscan units have been previously accounted for as a retirement unit and therefore are properly investable as a capital item.

Steve Cushman

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Memorandum

Northern Illinois Gas

#8806

Date: August 29, 1994

Subject: **AFUDC** - Daily Metering of Transportation Customers

From: Steve Cushman

To: **Dan** Rourke

The Daily Metering project involves installing daily metering equipment on the meters of approximately 11,800 variable backup transportation customers. I discussed the installation procedures with the Rate Department who noted that installation takes less than one day and that the equipment will be put into service in about one week. We only record AFUDC for situations where six or more months of continuous construction is required, therefore, daily metering does not qualify for AFUDC.

Subdividing a project into components to determine whether AFUDC can be recorded was also used for the Elgin/Volo/Troy Grove project. In that case, only two of the five components qualified for AFUDC.

Steve Cushman

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WP (F-4) 8

Facility Acquisition - Sycamore

200 Nicor Gas

PLANT BUDGET AUTHORIZATION REQUEST 4009 2 99

WP (F-4) 8 2/78

Page ____ of ____

Note: Use additional pages if more space is needed

PROJECT ITEM NO.	A/U NO.	REGION	CAPITAL TYPE (see back)	AFUDC (see back)
8222			Land/Building	☐ Yes ☑ No
Activity # Investment	103688		178351	PARTIAL AUTHORIZATION
Activity # Retirement	103705		178387	☐ Yes ☑ No
Activity # Investment	179448		103763	
Activity # Retirement	103706		103764	
FILE NO.	NBA/MR/PI/SI NO.	ESTIMATED START DATE	EST. COMPLETION DATE	
	103760 103735	Year ____ Quarter ____	Quarter ____	

Estimated Expenditures ($000)			
Year	This Request	Previous Authorization	Total Authorization
2001	$ 3,900,000.00	$	$
2002	$1,800,000.00		
Retired			
Total	$5,700,000.00		

Project Location

Building & Acreage at 1947 Bethany Road, Sycamore, Illinois

Project Description

Purchase 15.9 acres and the 52,000 square foot building on it formally occupied by Monsanto Inc. This building will be used to house the relocated G.O. call center in early 2002 and the Highland operation in 2004. Also, a IT mainframe and server backup site will be created improving Nicor gas business continuation viability.

Alternatives Considered

For Revisions Only
Revision (circle)
1 2 3 4

Reason for Request

[illegible]cate main call center operation to much more favorable labor market to improve quality of customer care and [illegible]uce attrition costs. Relocate Highland operation to permanent location to eliminate rent costs and create [illegible]ergies with a combined customer contact and operations center. Create IT back up Center.

Reimbursable?
☐ No
☐ Yes ____%

Reason for Budget Revision

Included in overall budget?

Dollars and Year(s)

Mains to be Installed				Cost/Foot		Mains to be Retired							
Footage	Size	Type	Class	Est.	Std.	Footage	Size	Yr. Installed	Type	Footage	Size	Yr. Installed	Type
Feet of total main to be installed										Feet of total main to be retired			

Other Facilities (installed or retired). Also include any operating expense impact.

Telecom and Servers purchased for call center. PC's, phone sets and furnature relocated from GO and Highland.

Economic Assessment Data	
Item (see other side)	Value
Cost of Capital (after tax)	10 %
Net Present Value at C/C (after tax)	$(543,000)
Internal rate of return (IRR), if applicable	8.7 %

[illegible]urer's Office Approval (only if FPC to approve)

By _____ Date 7/2/01

If you need more space for the 'Mains to be Installed/Retired field', please fill it out on another piece of paper and turn that in with this form.

— over —

Approvals

Print Recommended by	Date	Print Approved by Vice President	Dale
Kevin W. Kirby	07/02/01	Rocco D'Alessandro	07/02/01
Recommended by signature		Approved by VP signature	
Approved by CPR	Date	Approved by Board of Directors/FPC	Date
Budget Completion/ Tolerance Check by	Date	Post-Investment Review ☐ Yes ☐ No ☐ Undecided If yes, Quarter ____ Year ____	
Actual Expenditures and commitments through date of completion $		CPR Completion by	Date

Monsanto Building & Land

1947 Bethany Road, Sycamore

Financial Policy Committee

July 13, 2001

WP (F-4) 8 3/7/1

Overview

- Recommend purchasing this 52,000 Sqft building and 15.9 Acres of Land
- Relocate Main Call Center from the General Office to the new Building in early 2002
- Relocate Highland Operation to new building in early 2004
- Relocate Training Center (Zoning Change Needed), and Sell Ferry Road Property, or create backup Data Center

Monsanto Building

- List Price = $3,900,000
- Appraised value = $3,570,000 to $3,885,000 (Appraisal Research Inc.)
- 5 Miles from 1-88, 35 Miles from G.O.
- One Block off growing commercial corridor of Route 23
- 15.9 Acres of property, 8.9 acres vacant land

Monsanto Building

- The Building has 52,500 square feet of open office floor, private offices, training and Meeting rooms and an open air atrium
- ADA Compliant
- Back up Generator and UPS
- Parking for 177 Vehicles

Why Relocate Call Center

- Nicor Call Center Agents on straight time have lowest cost per call
- Call Center Attrition 60% Overall
  - 73% in Naperville
  - 41% in Bloomington
  - 20% considered best practice
- Dekalb / Sycamore Ideal Labor Market

Why Relocate Call Center

- DCED Data
  - Dekalb County has a significant lack of clerical jobs. Mean hourly rates are lower than Chicago Suburban area and Nicor
  - Very little competition for call center agents
  - Downsizing of over 500 clerical employees by local companies due to M&A Activity and consolidations
  - Temporary Labor also at lower hourly rate

Why Relocate Call Center

- Dekalb / Sycamore is far enough away to gain benefits of labor market but close enough to G.O. for support services to respond
- Call Centers are production environments, better suited away from Corporate Office
  - Recent lock down of 4th floor resulted in productivity gains

Cost Savings

- Reduction in attrition and lower temporary costs = $250,000 annual
- Elimination of Highland Rent = $486,000 annual
- Tax Savings with "Like Kind Exchange" = $1,507,000
- Training Center Move = TBA

Investment

- Building $3,500,000 - $3,900,000 (2001)
- Telecom & IT = $500,000 to $800,000 (2002)
- Replacement of 4th Floor furniture, paint, carpet, minor renovation costs to New Building $750,000 to $1,000,000 (2002)

Financials

- 30 Year Scenario
  - IRR = 8.7%
  - NPV @ 10% = ($543,000)
- 20 Year Scenario
  - IRR = 8.4%
  - NPV @ 10% = ($600,000)
- 10 Year Scenario
  - IRR = 6.4%
  - NPV @ 10% = ($814,000)
- Financial Analysis **conducted** by Chris Bates

Summary

- The Property is an excellent investment
- Very little renovation needed for Nicor use
- Dekalb / Sycamore is ideal location for Call Center
- Opens up majority of 4th floor for other departmental use
- Synergies in the operations and customer contact areas if joined together

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MEMORANDUM

'Date: June 21,2001

Subject: Call Center Expansion / Relocation

From: Kevin Kirby

To: Rocco D'Alessandro

Executive Summary:
This business case is a recommendation for a two-year expansion / relocation strategy for Nicor Gas's call center operation.

I recommend that Nicor Gas relocate the Call Center operation, currently housed on the 4th floor of the General office to the proposed Dekalb / Sycamore site in Early 2002. I further recommend that we hold off expanding the Bloomington call center until 2003, after the Dekalb site is up and running, and our Bloomington management team gains more Nicor experience. At that time we will be able to better determine the best staffing and attrition balance between the two sites.

Nicor Gas will gain many strategic benefits by basing both call centers in more competitive labor markets. The call center operation has undergone many changes and improvements in the last five years. With the ability to hire directly into the CCS position, we have gained many advantages. To further leverage this advantage, it is my recommendation that we move our main operation to the Dekalb / Sycamore area.

Background Information:
We have experienced a better recruiting and retention rate at our Bloomington call center. An initiative was launched to see if moving the Naperville call center to a rural area was feasible. It was determined that the ideal area would be West or Northwest. We wanted to be somewhat close to the interstates, and far enough away from Naperville to get the labor advantage, but close enough for the support departments to reasonably respond. The Dekalb / Sycamore area was identified as an ideal location.

The Labor Market Benefit:
Traditionally, call centers experience higher than average turn over. The area where cost and quality can be significantly impacted is recruiting and retention. According to data gathered during the recent PEAK Initiative our attrition rates for the 12-month period of March 2000 to March 2001 was as follows:

Area	Attrition
• Naperville	73%
• Bloomington	41%
• Combined	60%

Further analysis shows that 71% of all attrition happens in the first 60 days of employment. This data supports the need to be able to recruit a higher quality person. Details in attached exhibit (A). By moving our call center west, our wages are higher than the average, we feel we will be able to attract more mature, career minded individuals. We will generate cost savings through less recruitment and training costs, as well as increasing customer satisfaction.

Data gathered from the Dekalb County Economic Development Corporation supports this thesis. In fact according to Roger Hopkins, Executive Director of DCED, our current pay rates will make us much more attractive that the current clerical employers in the Dekalb / Sycamore. We have also determined that we will have less competition for clerical employees in Dekalb I Sycamore that we currently have in Bloomington.

Attached in exhibit (B) is a copy of a recent Wage and Benefit survey for Dekalb County. The following three categories would be similar to ow: CCS position:

	Dekalb County Median Hourly Rate	Dekalb County Mean Hourly Rate
• Clerk – Data Entry	**$8.32**	$9.19
• Clerk – General Office	**$10.58**	$10.36
• Customer Service Rep	**$10.33**	$10.85

Attached in exhibit (C) is a labor market analysis conducted by DCED. Unemployment statistics show that due to the softening of the economy, the unemployment rate has risen for the first quarter of **2001.** Listed below is the historical unemployment statistics:

- 2001 (1st Quarter) 4.3%
- 2000 3.3%
- 1999 3.4%
- 1998 3.2%

The report supports our analysis that the availability of experienced call center workers will be good. The report shows that there has been recent downsizing in both physical and clerical positions. There has been clerical I customer service downsizing in the last five years at the following:

- Duplex Products (50% Clerical) 415 positions
- Creative Calligraphy (50% Customer Service) 105 positions
- Dekalb Genetics / Monsanto (100% Clerical) 280 positions (60 were call center)
- Nestle (100% Customer Service) 30 positions
- Ideal Industries (50% Clerical) 82 positions

Three small telemarketing firms operate in the area, but pay less than our current rates. Finally, the attached report supports the long-term viability of a workforce. Dekalb county, especially the Dekalb I Sycamore are has show 2- 3 percent annual population and housing growth.

Other Call Center Relocation Benefits:

- Relocating to the proposed new building moves the call center from "An Open Office Building" environment to a secure production environment. We have seen an increase in productivity since locking down the 4th floor and partially restricting access. Moving into a purely production environment will help productivity even further.

- The Northern Illinois University College town offers a student and spouse workforce. This will be especially helpful with our initiative to staff with temporary employees in the summer months to handle the spike of Turn-on calls.

- The proposed site is close enough to the General Office for the various support services to remain effective and responsive.

- The new site allows enough room for larger training classrooms and spare cubicles. This gives us more flexibility for ramping up for programs and bringing in temporaries.

- The new site allows room for expansion. This could be effective if we can take on other Nicor work such as replacing NEW.

- By relocating the call center out of the General Office we free up 2/3rds of the 4th floor for other departmental expansion or consolation from other offices.

IT Challenges

- There is currently no Fiber optic circuit available in the area of the new building. There is a work around available using copper T-3's & T-1's. Verizon (GTE) would put in fiber if we paid for some or all of the cost. Ron Katt is looking at options and costs.

- PBX delivery time 4 to 6 months.

High level Cost Estimates

- The Building Asking Price $3.9 million. (Capital). Details for the building purchase are outlined in the separate recommendation.

- Clean up, renovation, furniture and other costs to move call center are estimated by Charlie Williams to be between $750K to $1 Million. (Some capital, some OE.). The plan will be to relocate the existing furniture from the fourth floor to Dekalb. The cubicle walls are shorter than the rest of the building. The cost estimate is based on purchasing 125 workstations at the BOS cost of $5,000. The

reality will be somewhat less. We will rework the parts of the current 100 workstations into 125. This will take some additional parts. The 4th floor will probably be outfitted with less than a hundred "'standard" workstations. The final furniture cost will be several hundred less than the estimate. A work station. Details in exhibit (D).

- Telecom and other IT costs for call centw are estimated to be between $500K to $750K. (Over 90% will be capital). Details in exhibit (E).

- Depending on timing, some of the expenditures could be held off until early 2002.

Financials: Details on costs, NPV and IRR are detailed in the building purchase recommendation.

Summary: A major differential that a Utility has in today's competitive market is customer *care* and non-traditional growth potential. I feel that Nicor Gas can move our contact center operation to a new level by moving west into a relatively untapped labor market. The new hiring pool and expanded floor space of the new proposed call center will better enable our ability to growth the sales side of our operation.

Nicor Gas can move into a center of "Operational and Customer Service Excellence", like other top-notch service operations. I recommend that Nicor Gas purchase the Monsanto building and relocate the Naperville cal center operation. *Once* we have some data on hiring and retention in the Dekalb county area, further consideration of expanding Bloomington can be explored.

Thank you for your consideration.

WP (F-4) 8 18/78
Exhibit (4)

Call Center Staffing - March 2000 to March 2001

	FTE's
Employees as of March 2000	63
Transfer / Pmmo / Retire	(22.0)
Resign / Terminate	(2.0)
EBA	(1.0)
Employees as of March 2001	38

Training Clases

Start Date	Location	FTE's	Hired	Removed	a30	30 - 60	61 - 90	91 - 120	121 - 150	151 - 180	181 -
08/21/2000	Bloomington	19	31.5	12.5	2	6	1	2.5	1	0	
11/06/2000	Bloomington	9	20	11	4	4	2	0	1	0	
02/26/2001	Bloomington	8	10	2	2	0	0	0	0	0	
	Subtotal	**36**	**61.5**	**25.5**	**8**	**10**	**3**	**2.5**	**2**	**0**	
	%			**41%**	**31%**	**39%**	**12%**	**10%**	**8%**	**0%**	
05115/2000	Naperville	4	14.5	10.5	1	2	2	2	2.5	0	
06/12/2000	Naperville	2	14.5	12.5	6.5	2	4	0	0	0	
07/17/2000	Naperville	5	19.5	14.5	4	5	1.5	0	4	0	
08/21/2000	Naperville	3.5	9.5	6	5	1	0	0	0	0	
10/23/2000	Naperville	3	16	13	9.5	2.5	1	0	0	0	
02/05/2001	Naperville	6	12	6	3	3	0	0	0	0	
	Subtotal	**23.5**	**86**	**62.5**	**29**	**15.5**	**8.5**	**2**	**6.5**	**0**	
	%			**73%**	**46%**	**25%**	**14%**	**3%**	**10%**	**0%**	
Training Class - Total		**59.5**	**147.5**	**88**	**37**	**25.5**	**11.5**	**4.5**	**8.5**	**0**	
					42%	**29%**	**13%**	**5%**	**10%**	**0%**	

Grand Total FTE's **97.4**

Prepared by: Shirley Welte
06/21/2001